

Kansas Administrative Regulations

Kansas Department for Children and Families

Article 10.—Adult Care Home Program

30-10-223. ICF-MR interest expense.

(a) Only necessary and proper interest on working capital indebtedness shall be an allowable cost.

(b) The interest expense shall be incurred on indebtedness established with:

(1) Lenders or lending organizations not related to the borrower; or

(2) partners, stockholders, home office organizations, or related parties, if the following conditions are met:

(A) The terms and conditions of payment of the loans shall resemble terms and conditions of an arms-length transaction by a prudent borrower with a recognized, local lending institution with the capability of entering into a transaction of the required magnitude.

(B) The provider shall demonstrate, to the satisfaction of the agency, a primary business purpose for the loan other than increasing the per diem rate.

(C) The transaction shall be recognized and reported by all parties for federal income tax purposes.

(c) When the general fund of an ICF-MR "borrows" from a donor-restricted fund, this interest expense shall be an allowable cost if it is considered by the agency to be reasonable. In addition, if an ICF-MR operated by members of a religious order borrows from the order, interest paid to the order shall be an allowable cost.

(d) The interest expense shall be reduced by the investment income from restricted or unrestricted idle funds or funded reserve accounts, except when that income is from gifts and grants, whether restricted or unrestricted, which are held in a separate account and not commingled with other funds. Income from the provider's qualified pension fund shall not be used to reduce interest expense.

(e) Interest earned on restricted or unrestricted reserve accounts of industrial revenue bonds or sinking fund accounts shall be offset against interest expense and limited to the interest expense on the related debt.

(f) Loans made to finance that portion of the cost of acquisition of a facility that exceeds historical cost or the cost basis recognized for program purposes shall not be considered to be reasonably related to client care.

(Authorized by and implementing K.S.A. 39-708c, as amended by L. 1990, Chapter 152; effective, T-30-12-28-90, Dec. 28, 1990; effective March 4, 1991.)

***** Authenticated Kansas Administrative Regulation *****